

**REPORT OF THE AUDIT OF THE  
PIKE COUNTY  
SHERIFF'S SETTLEMENT - 2003 TAXES**

**August 20, 2004**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable William Deskins, Pike County Judge/Executive  
Honorable Charles Keese, Pike County Sheriff  
Members of the Pike County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the Pike County Sheriff's Settlement - 2003 Taxes as of August 20, 2004.

We engaged Ross & Company, PLLC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC evaluated the Pike County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts

Enclosure





**REPORT OF THE AUDIT OF THE  
PIKE COUNTY  
SHERIFF'S SETTLEMENT - 2003 TAXES**

**August 20, 2004**

**ROSS & COMPANY, PLLC**  
**Certified Public Accountants**  
800 Envoy Circle  
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Telephone (502) 499-9088  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**PIKE COUNTY**  
**SHERIFF'S SETTLEMENT - 2003 TAXES**

**August 20, 2004**

Ross & Company, PLLC has completed the audit of the Sheriff's Settlement - 2003 Taxes for Pike County Sheriff as of August 20, 2004. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$16,592,062 for the districts for 2003 taxes, retaining commissions of \$481,526 to operate the Sheriff's office. The Sheriff distributed taxes of \$16,109,403 to the districts for 2003 Taxes. Taxes of \$25 are due to the districts from the Sheriff and refunds of \$1,930 are due to the Sheriff from the taxing districts.

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.





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To the People of Kentucky  
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Honorable Charles Keesee, Pike County Sheriff  
Members of the Pike County Fiscal Court

Independent Auditor's Report

We have audited the Pike County Sheriff's Settlement - 2003 Taxes as of August 20, 2004. This tax settlement is the responsibility of the Pike County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Pike County Sheriff's taxes charged, credited, and paid as of August 20, 2004, in conformity with the modified cash basis of accounting.

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable William Deskins, Pike County Judge/Executive  
Honorable Charles Keesee, Pike County Sheriff  
Members of the Pike County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 3, 2004, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed -  
September 3, 2004

PIKE COUNTY  
CHARLES KEESEE, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2003 TAXES

August 20, 2004

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 1,453,116	\$ 1,428,898	\$ 4,799,901	\$ 1,610,537
Tangible Personal Property	491,725	531,921	1,792,294	1,679,230
Intangible Personal Property				272,668
Fire Protection	7,330			
Solid Waste	2,599,907			
Increases Through Exonerations				2,076
Omitted Taxes	1,834	1,704	7,747	2,048
Franchise Corporation	199,175	209,611	747,781	
Additional Billings	4,263	3,898	15,866	6,077
Oil and Gas Property Taxes	382,821	376,440	1,671,649	424,293
Limestone, Sand, and Mineral Reserves	601	591	2,626	666
Penalties	20,599	16,516	63,226	27,433
Adjusted to Sheriff's Receipt	(1)	3	1	23
Gross Chargeable to Sheriff	<u>\$ 5,161,370</u>	<u>\$ 2,569,582</u>	<u>\$ 9,101,091</u>	<u>\$ 4,025,051</u>
<u>Credits</u>				
Exonerations	\$ 691,360	\$ 26,534	\$ 106,698	\$ 35,091
Discounts	35,263	34,010	117,902	60,499
Delinquents	1,984,919	181,766	723,360	267,630
Total Credits	<u>\$ 2,711,542</u>	<u>\$ 242,310</u>	<u>\$ 947,960</u>	<u>\$ 363,220</u>
Taxes Collected	\$ 2,449,828	\$ 2,327,272	\$ 8,153,131	\$ 3,661,831
Less: Commissions *	<u>104,405</u>	<u>98,909</u>	<u>122,297</u>	<u>155,915</u>
Taxes Due	\$ 2,345,423	\$ 2,228,363	\$ 8,030,834	\$ 3,505,916
Taxes Paid	2,344,837	2,228,301	8,030,592	3,505,673
Refunds (Current and Prior Year)	<u>561</u>	<u>357</u>	<u>1,512</u>	<u>608</u>
Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	<u>\$ 25</u>	<u>\$ (295)</u>	<u>\$ (1,270)</u>	<u>\$ (365)</u>

\* and \*\* See next page

The accompanying notes are an integral part of this financial statement.

PIKE COUNTY  
 CHARLES KEESEE, COUNTY SHERIFF  
 SHERIFF'S SETTLEMENT - 2003 TAXES  
 August 20, 2004  
 (Continued)

10% on	\$	10,000
4.25% on	\$	8,428,931
1.5% on	\$	8,153,131

\*\* Special Taxing Districts:

Library District	\$	(156)
Health District		(107)
Extension District		<u>(32)</u>

Due Districts or (Refunds Due Sheriff)	\$	<u><u>(295)</u></u>
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PIKE COUNTY  
NOTES TO FINANCIAL STATEMENT

August 20, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of August 20, 2004, the Sheriff's deposits were fully collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

PIKE COUNTY  
NOTES TO FINANCIAL STATEMENT  
August 20, 2004  
(Continued)

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2003. Property taxes were billed to finance governmental services for the year ended June 30, 2004. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 18, 2003 through June 25, 2004.

Note 4. Interest Income

The Pike County Sheriff earned \$3,361 as interest income on 2003 taxes. As of September 3, 2004, the Sheriff is due \$35 in interest from the school district and owes \$61 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Pike County Sheriff collected \$103,679 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Pike County Sheriff collected \$2,888 of advertising costs and \$1,380 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.



REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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The Honorable William Deskins, Pike County Judge/Executive  
Honorable Charles Keesee, Pike County Sheriff  
Members of the Pike County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Pike County Sheriff's Settlement - 2003 Taxes as of August 20, 2004, and have issued our report thereon dated September 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Pike County Sheriff's Settlement - 2003 Taxes as of August 20, 2004 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

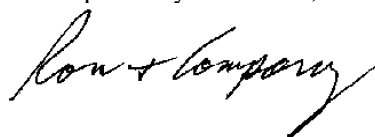
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pike County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed -  
September 3, 2004

